

## Message Text

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ACTION AF-07

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-04 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 INT-05 NSC-05 SS-15

STR-01 CEA-01 H-01 L-02 /065 W  
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FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 843

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PASS EXIM BANK, USDOC

E.O. 11652: N/A

TAGS: BEXP, ENRG, EFIN, IV

SUBJECT: PCKANDS MATHER CONSORTIUM: DEVELOPMENT OF MINING COMPLEX

1. OCTOBER 30 THROUGHT NOVEMBER 4, PCKANDS MATHER (PM) PRESIDENT, JOHN HEALY, AND PM PROJECT DEVELOPMENT MANAGER, ROBERT BELL, MET WITH GOIC OFFICIALS, EXIM BANK OFFICIALS, KAISER ENGINEERS REPRESENTATIVES, AND EMBOFFS TO DISCUSS PROGRESS OF PM CONSORTIUM PLANS TO DEVELOP MINING COMPLEX IN MAN REGION. SIGNIFICANT RESULT OF GOIC-PICKANDS MATHER NEGOTIATIONS WAS GOIC DECISION THAT RAILROAD RATHER THAN PIPELINE WOULD BE EMPLOYED TO TRANSPORT PELLETS TO COAST.

2. PM REPRESENTATIVES PROVIDED FOLLOWING INFORMATION REGARDING STATUS OF PROJECT:

A. RAILROAD. AT NOVEMBER 4 MEETING WITH MINISTER OF PLAN DIAWARA, MINISTER OF ECONOMY AND FINANCE BEDIE, AND SECSTATE FOR MINES GUI DIBO, GOIC AGREED TO PAY THE DIFFERENCE BETWEEN THE COST OF A RAILROAD AND  
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A SLURRY PIPELINE AS WELL AS THE DIFFERENCE BETWEEN THE

OPERATING COSTS OF MOVING PELLETS BY RAIL AS OPPOSED TO PIPELINE. GOIC WILL ALSO BUDGET 1.3 MILLION DOLLARS FOR RAILROAD FEASIBILITY STUDY. RAILROAD, WHICH WILL BE TOTALLY ELECTRIC, IS EXPECTED TO COST 80 MILLION DOLLARS MORE THAN THE PIPELINE; I.E., BETWEEN 110-120 MILLION DOLLARS.

B. MINING COMPLEX. COST OF MINING PROJECT PRESENTLY ESTIMATED AT 650 MILLION DOLLARS (INCLUDING PIPELINE). WITH ADDITION OF RAILROAD AND 70 MILLION DOLLARS DAM AT BUYO ON SASSANDRA RIVER, TOTAL COMPLEX IN CURRENT PRICES ESTIMATED TO COST 800 MILLION DOLLARS. PM EXPECTS THAT PERHAPS 200-250 MILLION DOLLARS WILL BE US PROCUREMENT, PARTICULARLY SINCE SOME EQUIPMENT CAN ONLY BE FOUND IN U.S.

C. PRE-ENGINEERING. PM CONSORTIUM HAS VOTED 9 MILLION DOLLARS FOR PRE-ENGINEERING AND IS REQUESTING PROPOSALS BY NOVEMBER 15. NOVEMBER 25 CONSORTIUM IS TO MEET IN ABIDJAN TO CONFIRM SELECTION OF ENGINEER, ALTHOUGH IN VIEW OF RAILROAD DECISION SELECTION MAY BE DEFERRED. PART OF PRE-ENGINEERING ACTIVITY WILL BE INDEPENDENT GEOLIGICAL SURVEY OF VOLUME OF IRON ORE WHICH WILL SERVE AS BASIS FOR "BANKABLE DOCUMENT" FOR PRESENTATION TO FINANCIERS.

D. GEOLOGY. SITE FOR COMPLEX IS MONT KLAHAYO WHICH CONTAINS 350 MILLION TONS OF PELLETS REPEAT PELLETS; ANOTHER 650 MILLION TONS OF PELLETS IN VICINITY IS "GEOLOGICALLY POSSIBLE." ORE IS LOW IN PHOSPHOROUS AND, THEREFORE, COMMERCIALLY DESIRABLE.

E. SCHEDULE. FINANCING IS SCHEDULED TO BE COMPLETED BY JUNE 1976; CONSTRUCTION TO START OCTOBER 1976; PELLETS TO BE SHIPPED BEGINNING JANUARY 1980.

2. IN SEPARATE CONVERSATION, KAISER ENGINEERS LONDON-BASED REPRESENTATIVE GUY DE SPEVILLE TOLD EMBASSY THAT KAISER IS INTERESTED IN OBTAINING CONTRACT FOR COMPLETE ENGINEERING PACKAGE AND REPEAT AND SUBSTANTIAL LIMITED OFFICIAL USE

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PORTION OF CONSTRUCTION. HE ESTIMATES THAT WITH ESCALATION, PROJECT WILL TOP 1 BILLION DOLLARS. PM CONSORTIUM REALIZES THAT PHASING OF VARIOUS ACTIVITIES; I.E., RAILROAD, DAMS, MINE, PELLETIZATION PLANT, AND SHORE TO SHIP LOADING FACILITIES, EXTREMELY COMPLICATED AND WILL THEREFORE WANT ASSURANCES THAT FIRST CLASS ENGINEERING COMPANY IS ENGAGED TO PROVIDE REQUIRED COORDINATION. DE SPEVILLE SEES NO PROBLEM IN CONSORTIUM OBTAINING FINANCING SINCE

CONSORTIUM MEMBERS WILL BE CONTRACTUALLY BOUND TO BUY  
TOTAL OUTPUT OF PELLETS.

FYI: DE SPEVILLE'S COMMENTS SHOULD BE TREATED AS  
PRIVILEGED INFORMATION SINCE TWO OTHER US FIRMS--  
BECHTEL AND MCKEE-- ARE ALSO INTERESTED IN PROJECT. END FYI.

3. MAJOR AREA OF CONCERN TO BOTH PM AND KAISER IS  
WHETHER SUFFICIENT ENERGY WILL BE AVAILABLE FOR PROJECT.  
TAABO DAM (FOR WHICH KAISER HAS CONTRACT FOR ENGINEERING  
AND CONSTRUCTION MANAGEMENT) PLUS KOUSSOU DAM AND NEW  
DAM AT BUYO SHOULD ON PAPER PROVIDE SUFFICIENT  
HYDRO-ELECTRIC POWER. HOWEVER, QUESTION REMAINS WHETHER  
RAINFALL WILL BE SUFFICIENT TO ASSURE THAT RESERVOIRS  
REACH AND MAINTAIN APPROPRIATE LEVELS.

4. COMMENT: PM REPRESENTATIVES MUST NOW CONVINCE OTHER  
MEMBERS OF CONSORTIUM THAT PROJECT WITH RAILROAD  
MODIFICATION IS STILL VIABLE. JUST PRIOR TO HIS  
DEPARTURE, HEALY TOLD E/C COUNSELOR THAT HE WAS  
PLEASED WITH OUTCOME OF TALKS WITH GOIC AND WAS  
CONFIDENT THAT GOIC AGREEMENT CONCERNING FINANCING  
OF RAILROAD AND PROJECTED DEVELOPMENT OF HYDRO-  
ELECTRICAL POWER WOULD SUFFICE TO CONVINCE CONSORTIUM  
MEMBERS, PARTICULARLY JAPANESE, TO CONTINUE WITH  
PROJECT. IF MINING PROJECT MOVES FORWARD AS  
SCHEDULED, US EXPORTS TO IVORY COAST SHOULD EXPAND  
SIGNIFICANTLY OVER NEXT FIVE YEARS AND IF KAISER  
IS AWARDED ENGINEERING AND PORTION OF CONSTRUCTION,  
US BUSINESS ACTIVITY IN IVORY COAST WILL SHOW  
QUANTUM JUMP.  
SMITH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, PROGRAMS (PROJECTS), RAILROADS, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
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**Film Number:** D740320-1016  
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**Previous Handling Restrictions:** n/a  
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**To:** STATE  
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